MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BBF3094 – CREDIT MANAGEMENT

(All sections / Groups)

24 OCTOBER 2017
9.00 A.M. – 11.00 A.M.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **TWO (2)** pages with **FOUR (4)** questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

The Basel Committee on Banking Supervision defines credit risk as "the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms". Banks are expected to carry-out rigorous credit risk assessment.

Discuss why banks need to integrate the qualitative and quantitative aspects in the credit risk assessment process.

(Total: 25 marks)

QUESTION 2

Trade financing (also known as supply chain and export finance) is a huge driver of economic development and helps maintain the flow of credit in supply chains. It is predicted that 80-90% of global trade is reliant on trade and supply chain finance, and is estimated to be worth around USD $10 trillion a year. One of those supply chain finance is a letter of credit.

a. What is a letter of credit?

(5 marks)

b. Explain and illustrate in details a typical flow of documents and information in the execution of a letter of credit.

(20 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Despite the adoption of stricter credit approval processes, the growth on the outstanding balance of the non-performing loans in Malaysian consumer lending in 2016 was faster than that recorded in 2015. In particular, there was a significant rise in non-performing loans among lower-income groups, who were worst hit by rising inflation and the impact of the Goods and Services Tax.

With the Malaysian economy likely to continue slowing in 2017 and rising inflation set to persist, suggest and elaborate **FIVE (5)** action plans to reduce or sustain the non-performing loans level.

(Total: 25 marks)

QUESTION 4

Consumer lending in Malaysia continued to expand in 2016, albeit at a slightly slower pace than in 2015. This continued expansion was mainly attributable to the positive development of credit card lending. In addition, the strong performance of mortgages/housing lending in 2016 was driven by the growing desire for home ownership among young Malaysians.

As a bank credit officer, how would you strengthen the bank marketing strategies? Suggest and elaborate **FIVE (5)** marketing strategies.

(Total: 25 marks)

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